Canadian Northern Economic Development Agency
Quarterly Financial Report
For the quarter ended September 30, 2011

Introduction

This quarterly report has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board. This quarterly report should be read in conjunction with the Main Estimates and has not been subject to an external audit or review.

The Canadian Northern Economic Development Agency (CanNor) works to create a diversified, sustainable and dynamic economy across Canada's three territories, which contributes to the nation's prosperity. CanNor fosters growth and development in the North by delivering economic and community development programs and by aligning the efforts of partners and stakeholders to respond to economic opportunities and challenges in the North.

Further details on CanNor's authorities, mandate and program activities may be found in the Report on Plans and Priorities at: http://www.tbs-sct.gc.ca/rpp/2011-2012/inst/ned/ned01-eng.asp, and in the Main Estimates (Part II) http://www.tbs-sct.gc.ca/est-pre/20112012/me-bpd/docs/me-bpd-eng.pdf.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the Canadian Northern Economic Development Agency's spending authorities granted by Parliament and those used by the department consistent with the Main Estimates for the 2011-2012 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

As part of the departmental performance reporting process, the Canadian Northern Economic Development Agency prepares its annual departmental financial statements on a full accrual basis in accordance with Treasury Board accounting policies, which are based on Canadian generally accepted accounting principles for the public sector. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of fiscal quarter and fiscal year to date (YTD) results

Statement of Authorities

As at September 30, 2011, total authorities available for the year have decreased by $16.1 million from $61.2 million (for 2010-2011) to $45.1 million. This change is a combination of a decrease in the Vote for Contributions ($16.3 million) offset by a slight increase in the Vote for Net operating expenditures and Budgetary statutory authorities (total of $0.2 million).

The decrease in the Vote for Contributions of $16.3 million is primarily attributable to the sunsetting of the Community Adjustment Fund and the Recreational Infrastructure Canada Program. These programs were part of Canada's Economic Action Plan (CEAP) and were delivered by the Agency in the North in fiscal years 2009-10 and 2010-11.

The authorities used during the second quarter of the 2011-12 have decreased by $1.4 million compared to the second quarter of 2010-11. Contributions paid for the quarter are $1.2M less than the previous quarter. This reduction is due to the timing of payments and the end of CEAP. There is a small net decrease ($0.2 million) in Net Operating authorities and Budgetary statutory authorities compared to the previous quarter.

Statement of Departmental Budgetary Expenditures by Standard Object

Compared to the previous year, total net budgetary expenditures recorded in the quarter ending September 30, 2011 decreased by $1.4 million, from $5.5 million to $4.1 million. This net decrease is mainly attributable to transfer payments, which have decreased by $1.2 million due primarily to the sunsetting of the CEAP programs as mentioned above.

In fiscal year 2011-12, expenditures for personnel for the second quarter and the year to date, are higher than last year. Personnel expenses for the quarter include $290,000 of severance, the majority of this relating to the recent collective bargaining agreements which included provisions allowing employees to request a pay-out of accumulated severance allowances. These costs are fully reimbursed to the agency by Treasury Board Secretariat. Personnel expenditures for the previous first two quarters of last year are not comparable because of the large amounts for salaries recovered by other government departments and organizations ($1.1 million) in the last quarter of 2010-2011. This is due to CanNor's start up situation and hiring of staff, many of those coming in from other departments. Expenditures for professional and special services for the second quarter and year to date are lower than last year and variances to date have generally occurred because of timing differences in payments.

The decrease in transfer payments is primarily attributable to the sunsetting of the Community Adjustment Fund and the Recreational Infrastructure Canada Program as explained above.

Risks and Uncertainties

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This Departmental Quarterly Financial Report (QFR) reflects the results of the current fiscal period in relation to the Main Estimates for which full supply was released on June 27, 2011.

Budget 2010 announced that the operating budgets of departments would be frozen at their 2010-11 levels for the fiscal years 2011-12 and 2012-13.

CanNor delivers on its mandate in a complex environment. Economic development in the North needs to deal with the exigencies of the climate, remote communities, sparse population, dependence on natural resource extraction and associated challenges, such as underdeveloped infrastructure. The North also represents an area of immense opportunity with significant resource development projects underway and a strong contribution to Canada's gross domestic product.

CanNor has identified the following six key risk areas for itself in the 2011-2012 Reports on Plans and Priorities:

- Operational environment
- Human and knowledge capital
- Alignment with priorities and needs
- Clients, partners and stakeholders
- Public communications
- Legal, statutory and land claims

CanNor will monitor expenditures and carry out business planning to ensure that financial risks are mitigated and that program delivery is optimized. Efforts are underway to step up the pace of project review and disbursements of Contribution programs in order to reduce the risk of year end lapses.

Significant changes in relation to operations, personnel and programs

There is a decrease of $16.3 million in the Vote for Contributions from 2010-11 to 2011-2012, primarily due to the sunsetting of the Community Adjustment Fund and the Recreational Infrastructure Canada Program.

The Interim President, the Vice President, Policy and Planning, and the Chief Financial Officer were appointed in the current quarter.

Approved by:

Colleen Swords, Interim President

Yves Robineau c.a., Chief Financial Officer

Ottawa, Canada
November 28, 2011

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STATEMENT OF AUTHORITIES
(unaudited)

(In thousand of dollars)	Fiscal year 2011-2012			Fiscal year 2010-2011		
	Total available for use for the year ending March 31, 2012*	Used during the quarter ended September 30, 2011	Year to date used at quarter-end	Total available for use for the year ending March 31, 2011*	Used during the quarter ended September 30, 2010	Year to date used at quarter-end
Vote 25 - Net Operating	13,867	2,789	4,784	13,710	3,108	4,442
Vote 30 - Transfer Payments	30,057	1,028	1,128	46,312	2,219	2,219
Budgetary statutory authorities	1,186	297	593	1,181	197	492
Total Budgetary authorities	**45,110**	**4,114**	**6,505**	**61,203**	**5,524**	**7,153**
Non-budgetary authorities	0	0	0	0	0	0
Total authorities	**45,110**	**4,114**	**6,505**	**61,203**	**5,524**	**7,153**

* *Includes only Authorities available for use and granted by Parliament at quarter-end.*

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Departmental budgetary expenditures by Standard Object (unaudited)

(In thousand of dollars)	Fiscal year 2011-2012			Fiscal year 2010-2011		
	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended September 30, 2011	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2011	Expended during the quarter ended September 30, 2010	Year to date used at quarter-end
Expenditures:						
Personnel	8,019	2,581	4,764	8,125	2,250	3,625
Transportation and communications	1,624	398	498	1,633	329	469
Information	32	2	2	122	18	30
Professional and special services	2,321	50	56	2,574	643	698
Rentals	895	11	12	1,281	15	24
Repair and maintenance	2	2	3	769	4	6
Utilities, materials and supplies	196	17	17	105	15	29
Acquisition of land, buildings and works	989	0	0	0	0	0
Acquisition of machinery and equipment	338	24	24	270	31	48
Transfer payments	30,057	1,028	1,128	46,313	2,219	2,219
Other subsidies and payments	637	1	1	11	0	5
Total gross budgetary expenditures	**45,110**	**4,114**	**6,505**	**61,203**	**5,524**	**7,153**
Less Revenues netted against expenditures:						
Total Revenues netted against expenditures	0	0	0	0	0	0
Total net budgetary expenditures	**45,110**	**4,114**	**6,505**	**61,203**	**5,524**	**7,153**